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MARKETING FREEZER BEEF IN NEW YORK STATE

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INTRODUCTION AND PURPOSE

New York State livestock producers provided less than 15 percent of the beef consumed by New Yorkers in recent years. Three-fourths of this amount was derived from the sale of slaughter dairy stock with the remainder consisting of beef breed animals.^{1/} A variety of reasons have been suggested to explain why the production of beef breed animals in the State has been limited,^{2/} but in the final analysis local producers and packers have found it difficult to be cost competitive in the major wholesale channels with animals raised and dressed in the West, Midwest and South and shipped into the Northeast. Thus many New York State producers rely on local marketing opportunities which enable them to avoid competing directly with out-of-state beef and to retain part of the margin otherwise passed along for marketing, processing and transportation services.

One such local market "niche" receiving increased attention during recent years is direct sales to consumers. Beef sold in this manner is known as freezer beef. Best available estimates suggest that presently over half the State's beef producers sell at least one animal direct to consumers and that in total about 30 percent of the fed beef animals in the State are consumed as freezer beef.^{3/}

^{1/} This estimate is based on a 1977 dairy cow herd of 913,000 with a 23% annual cull rate and a beef herd of 85,000 heifers with a 85% calving rate (herd estimates from the New York Crop Reporting Service).

^{2/} Some of the reasons which have been suggested are late snow cover delaying calving, relatively high feed costs, limited packing capacity for fed beef and associated high assembly costs.

^{3/} This estimate is based on a 1977 custom processing of 24,000 cattle out of approximately 75,000 beef breed calves produced in 1976. This figure is only approximate since not all custom processors could provide information on their kill while others included dairy breed animals processed for the farmer.

Despite this high proportion of sales many industry observers feel that this market has considerable further potential for growth. The principal deterrent to increased sales is the difficulty producers encounter in contacting potential buyers. Almost 90 percent of the surveyed producers rely on word-of-mouth for promoting the availability of their product. Word-of-mouth can be effective in promoting sales but only at a very slow rate. A second often used means of promotion, classified advertisements, typically does not increase sales sufficiently to cover advertising costs.

The purpose of this publication is to provide information for the State's beef industry, including producers and processors, which may be used to increase marketings of freezer beef. This bulletin provides information on the identification of potential consumers and appropriate promotional materials for contacting this group, and suggestions for overcoming other marketing problems. For those unfamiliar with the operations of freezer beef producers the text begins with a brief overview.

OVERVIEW OF CURRENT MARKETING AND PRICING PRACTICES

In an industry as fragmented and personal as freezer beef sales there are obvious limitations to generalizations. Nevertheless the basic functions performed by the participants are sufficiently uniform so that a general discussion of them will give some insights into the operations, and problems, of the industry.

Typically the producer will wait for a customer to contact him about buying a side of beef. Sales are usually for sides so that the producer must line up two buyers before arranging a sale. Pricing is a very individual decision. It may be done on a live-weight basis, as a fixed margin above local

or out-of-state auction prices, or formula priced on a carcass weight basis using the National Provisioner "Yellow Sheet" quotations or some rule-of-thumb based on retail meat prices. Observations of prices in several areas suggest that there are wide variations in prices although established sellers often net approximately \$30 to \$50 per head over the local auction price. The animals are not officially graded but might be expected to fall within the middle good to low choice range.

The producer makes arrangements for slaughter and processing with either a state or federally inspected plant near his operation. Fees for slaughter, cutting, wrapping and freezing are similar between the two groups of plants.^{4/} The major distinction is that meat handled in a non-federally inspected plant may not be sold after slaughter, necessitating the transfer of ownership from producer to buyer prior to slaughter.

Buyers pick up their cut, wrapped and frozen meat at the processing plant. Most expect to pay in full at that time. A complete payment includes an amount for the animal plus a service charge for processing and the applicable sales tax on that service charge.

The entire premium over local auction prices gained by freezer beef sales should not be considered as profit. The producer must put considerable time and management into each freezer beef sale. One producer has found that it takes more time to sell one freezer beef animal than it does to send an entire

^{4/}Not all federally inspected plants in the State handle custom orders. For a list of those which do and a list of service performed and fees see William Lesser, Custom Meat Processors in New York State, Cornell University, Department of Agricultural Economics, A.E. Ext 79-19, May 1979.

truck load to an auction market. The dissatisfied freezer beef customer is also known on occasion to demand an exchange or refund for the meat he or she received.

IDENTIFYING POTENTIAL CUSTOMERS

The principal limit to the growth of the freezer beef industry is the difficulty experienced by most operations in identifying new customers. Broad promotional efforts such as newspaper advertisements are often unprofitable, probably because the proportion of potential customers per message unit is low. One means of making this promotion more effective is to know the characteristics of freezer beef consumers and direct the message to this group rather than to the general public. For example, if freezer beef buyers tend to live in rural rather than urban areas it makes sense to advertise in rural papers or "advertisers." An understanding of the likes and dislikes of the consuming group will also assist in making the advertising message more pointed and effective.

Information on consumers' characteristics and preferences was collected by mailing questionnaires to 1978 customers of three freezer beef producers in the State. The results from this survey can be subdivided into three areas: product characteristics, consumer preferences and family characteristics. Due to unavoidable limitations in sampling^{5/} none of the results should be considered as being entirely representative of all freezer beef consumers both present and

^{5/} Both the incomplete list sample and non-respondents among those sampled could cause bias in the results. As a practical matter the sampling procedures used in this study do not differ substantially from much applied research.

prospective. The questionnaire materials nevertheless provide a good starting place for improving the promotional message and attracting more buyers provided that judgment is used in applying these results to any particular group of customers.

Product Characteristics

Successful advertising messages emphasize product characteristics consumers consider important. Replies to the survey identified desirable freezer beef characteristics which should be stressed as flavor, tenderness, and juiciness. Convenience and availability of custom order cuts should be given secondary emphasis. These results mirror the findings of a national study conducted by the U.S. Department of Agriculture (USDA) in which the single most important reason for buying beef direct from producers was described as high quality. The results of the New York State survey are reported in Table 1.

Table 1. Relative Importance of Product Characteristics

Characteristic	Score*
Product quality	
Flavor	5.0
Juiciness	4.7
Tenderness	4.9
Price	4.5
Convenience	
Reduced weekly shopping	4.1
Budgeting assistance	3.9
Special Services	
Increased aging	4.1
Custom cuts	4.0
Low fat	4.1
Beef without hormones added	4.2

*Ranked on a scale of 1 (unimportant, negative factor) to 5 (great importance) with a rank of 3 representing a neutral factor.

Consumer Preferences

The seller must pay close attention in order to prepare and present the product in a manner which is most acceptable to consumers. Fall purchases are the most popular and should be catered to by having animals finished and marketable at that time. The summer months are the weakest in terms of market potential. Consumers also have a distinct preference for lightweight sides, indicating some value in raising small-framed animals. This, coupled with the breed preference, makes Angus a good choice for the freezer beef business. It should be noted that animals below 750 pounds are subject to substantial discounts in wholesale channels. Producers of animals for both markets may wish to compromise and select heavier maturing varieties. These survey results are shown in Table 2.

Table 2. Consumer Preferences

Factor	Response
Quantity	
Quarters	30%
Sides	65
No preference	5
Breed	
Angus	44%
Hereford	7
No preference	49
Season of purchase	
Spring	28%
Summer	10
Fall	36
Winter	26
Purchase of 50 lb. packs of retail cut	
Interested	41%
Not interested	56
No opinion	3
Average hanging weight of beef	
Side	215 pounds
Quarter	133 pounds

Family Characteristics

The promotion dollar will net the highest return when it is focused on the greatest concentration of potential consumers. The survey results indicate that this group is most likely to be found among village and rural residents (67%). Thus an announcement placed in a rural "advertiser" is most likely to succeed. Family income level above \$20,000 per year is common with freezer beef purchasers, and higher income brackets (\$15,000) were heavily represented in the USDA national study. This conclusion is not surprising since the purchase of a side of beef requires an outlay of \$300, an amount which is often not available to lower income groups. Thus producers are advised to focus their promotional message on higher income areas.

National surveys indicate that approximately half of all families buy some food item direct from the producer. A very large proportion of direct purchasers of beef included in the recent New York survey (88%) also buy other food items from producers. Potential freezer beef consumers are most likely to be encountered at farmers' markets, road side stands, u-pick operations, etc. Combined fruit/vegetable stands and freezer beef operations are well positioned to attract consumers. A cooperative promotional project involving beef producers and fruit/vegetable growers has been developed for the spring of 1979. Other producers may find a similar joint program is well suited for their operations. No further classification of consumers is apparent from the results presented in Table 3.

A Joint Promotional Project

To judge the potential of a joint promotional venture between direct sellers of fruit/vegetables and beef a demonstration project has been organized with a u-pick operation in south-central New York. Contact with consumers is

to be made at the u-pick field store through a poster and flyers and by personal sales messages. Commission or other compensation is to be worked out between the producers.

Table 3. Family Characteristics

Factor	Response
Residence	
Large city (Over 25,000 population)	8%
Small city or suburb	25
Village or rural	67
Family ages	
At least one adult	
20-24 years old	40%
35-49 years old	40
50 years or older	36
Teenage children	
None	55%
With at least one	45
Ethnic/racial/religious identity	
Strong	7%
Weak or lacking	93
Family income	
less than \$8,000	8%
\$8,000-11,000	6
\$12,000-16,000	21
\$17,000-20,000	15
\$21,000-26,000	20
\$27,000 and over	28
No answer	2
Own seperate freezer	
Yes	96%
No	4
Direct from producer purchases	
Vegetables and/or fruit only	61%
Honey and/or maple syrup	3
Both of above groups	24
None	12

Promotional Material

Ideally, the potential consumer's attention is drawn to one of the two posters in Figure 1. These posters identify the product and its significant features -- flavor and tenderness, availability of custom orders, and convenience. Additional information is presented in pamphlets in transparent pouches on the face of the poster, as shown in Figure 1 and in detail in Figure 2. The color and texture of the poster and pamphlet attempt to convey an earthy image of the beef producer while the material on the back side of the pamphlet (Figure 2) invites the customer to the farm to make the purchase a family experience

Inside the first flap (Figure 3) the important features of the product identified through the consumer survey are highlighted. Maps direct the customer to the producer and processor. Both are included since the customer must deal with both in purchasing the meat and the processing of the meat. The second flap (Figure 4) explains steps in a transaction, including responsibilities for scheduling, payment and pick-up. Also included is an estimate of processing waste and break-down by weight of cuts for a typical purchase. Average costs per pound of meat taken home are included. Hopefully misunderstandings will be avoided when the consumer is informed of services, charges and meat quantities prior to the purchase.^{6/}

^{6/} The plates from which the promotional materials shown in Figures 1 through 4 were prepared are available without charge to the State's agricultural community. Changing the names, addresses and maps on the fliers costs approximately \$40 plus \$30 per hundred in printing charges. Posters may be duplicated for less than \$20 each. For further information please contact Daniel Neenan, Media Services, 492 Roberts Hall, Cornell University, Ithaca New York 14853 (607-256-7673).

Figure 1: Freezer Beef Poster

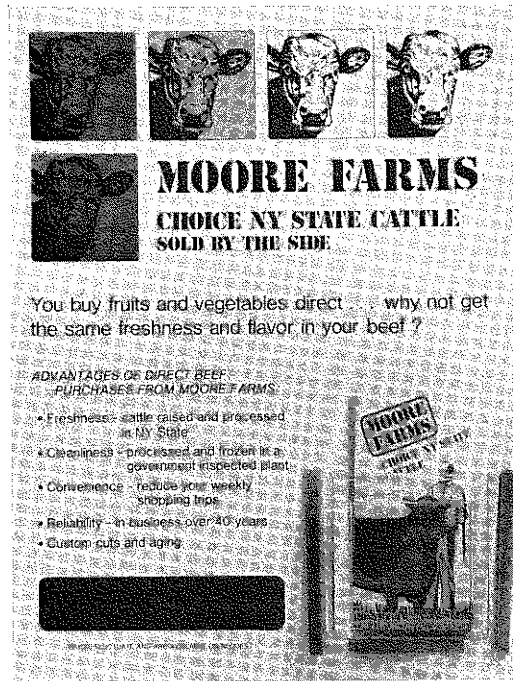
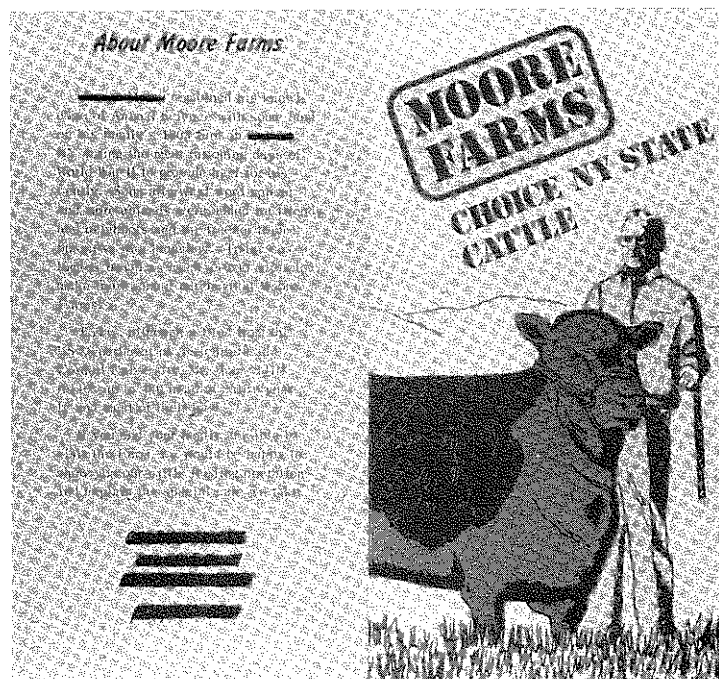


Figure 2: Freezer Beef Pamphlet, Front and Back



Additional Advantages

The promotion of freezer beef through a reputable stand operator can help in overcoming consumer concerns about quality. If the quality of the products at the stand is universally high, the consumer may assume that the operator will recommend a beef producer with similar standards of quality and integrity. A consumer may feel more secure in responding to a pamphlet than to a newspaper advertisement from an unknown producer.

OVERCOMING OTHER MARKETING PROBLEMS

Producers have problems other than those related to contacting new customers. The most often mentioned of these are the difficulty of collecting payments at the packing plant and dealing with the sales tax on the processing fee.

Collecting the Payment

Producers may have difficulty collecting payment from consumers because most consumers expect to pay when they receive the processed meat. Normally the processor is located some distance from the farm and has no direct ties to the farm. The relatively large amount due increases the risk of loss through bad checks. One means of simplifying collections is to permit charging purchases with bank credit cards such as VISA or Master Charge. When the customer's credit is checked before accepting the charge, the seller does not bear the risk of a bad debt, and the collection procedure is considerably simplified. In addition, payments extended over several months can reduce the income barrier for freezer beef purchases.

To participate in a credit card plan the producer or processor must apply to a sponsoring commercial bank for certification as a merchant. The

requirements vary but are not prohibitive. The seller currently must pay a service charge of 3 percent of the amount of the sale.

Sales Tax on Processing

The New York State sales tax on custom meat processing is more a vexation than a significant expense, but one which adversely affects the industry. Consumers are surprised and annoyed since taxes are not paid on retail meat purchases and processors are given substantial record keeping burdens. Efforts are now under way to remove slaughter/processing services from the roster of taxable services. Two bills (A-30 and A-806) have been introduced in the New York State Assembly as a means to this end. The Walsh bill (A-860), if adopted, will remove sales taxes on the services involved in the slaughter and/or processing of meat. Both bills are presently under review by the Ways and Means Committee which has responsibility in tax and other financial matters. Prospects for passage for one of the bills appears good since the impact on tax revenues is minimal although the Legislature has a reputation of acting on only 4 percent of the proposed bills during any session.

ADDITIONAL MARKETING SUGGESTIONS

The quantity of meat in a side of beef exceeds what many customers can conveniently store or consume before quality deteriorates. Selling quarters creates additional problems since there is more demand for hind- than fore-quarters. One solution is to prepare freezer packs of around 50 pounds. More than 40 percent of the survey respondents expressed an interest in beef sold in these smaller quantities (see Table 2).

Packs may contain a single retail cut such as sirloin steaks or hamburger or a mixture that includes steaks, roasts and hamburger. To be sold

in this manner the animals must be slaughtered and processed in a federally inspected plant. Before entering this business the producer must be certain that he will be able to market all the cuts, not only the choicest ones.

Producers should also recognize that sales vary with the stability of beef prices. Demand is high during periods when future price increases are expected as consumers hedge food price inflation by storing lower priced beef. Demand diminished during periods of declining prices. Producers must be careful to adjust their inventories accordingly

SUMMARY AND CONCLUSIONS

Sales of beef animals for home consumption (freezer beef) is an important aspect of New York State's fed beef industry. Available evidence suggests that half of the State's beef feeders sell some animals direct to consumers for a total of almost one-third of the beef breed animals in the State. Freezer beef sales provide an alternative outlet for livestock farmers in areas with few commercial beef packers and high assembly costs. They give the cattle feeder an opportunity to retain a portion of the margin which otherwise goes to the middleman, but require more time than sales through standard wholesale channels.

Producers interested in this business find that contacting potential consumers is the major limit to growth. A likely place to encounter potential consumers is at roadside stands and other direct marketing outlets for farm products. To explore the potential of this market outlet a demonstration project between a cattle feeder and u-pick operator has been organized for the spring of 1979. Cooperation between cattle feeder and u-pick operator will make information about bulk beef purchases available to customers at a u-pick market.

Other problems of the industry are sales taxes on the processing fee, payments to the grower, and quantities of beef sold. Legislation has been filed to remove the tax while use of major charge cards can simplify the collection procedure. Widening the choices of quantities available to include 50 pound freezer packs could expand the market for direct sales.

A freezer beef operation could provide the farmer with a satisfactory outlet for some of his production and provide the consumer with a desirable product distinct from that available at the supermarket counter.

For additional information see:

Lesser, William, Custom Meat Proprocessors in New York State, Cornell University Department of Agricultural Economics, A.E. Ext 79-19, May 1978.

Semlek, Mark A., Raising Your Own Freezer Beef, Cornell University, Animal Science 5 (Information Bulletin #145), December 1978.